

SEC Investigates Bribery in Sales Of Arms to Korea

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The Securities and Exchange Commission is investigating whether commissions paid by American companies to South Korean business agents to arrange the sale of American military hardware to Korea were used to bribe members of Congress.

On Tuesday, the SEC applied for a federal court order in Los Angeles to force two South Korean business agents to obey subpoenas served in August. The subpoenas deal with the role of the South Koreans in securing contracts in Korea for E-Systems, Inc., a Dallas-based electronics firm, in exchange for cash commissions.

The SEC investigation, begun to determine whether the commission money paid to the Korean agents was used to influence U.S. congressmen in their views of South Korea, broadens the U.S. probe of such influence-buying by the South Korean lobby here.

The Justice Department sources say the department has substantial evidence that South Korean interests here dispensed between \$500,000 and \$1 million annually in cash, gifts and campaign contributions to congressmen and other officials during the 1970s.

Information gathered from U.S. intelligence sources puts the lobbying scheme under the direct control of South Korean President Park Chung Hee.

The Justice Department investigation has centered on Korean businessman Tongsun Park, who based his operations in Washington and was noted for his contacts and the parties he threw.

Tongsun Park, according to Justice Department sources, used money he received in commissions from his middleman role in arranging rice sales from U.S. firms to Korea to finance his cash and gift campaign. The investigation being mounted by the SEC is the first indication of parallel operations in other business areas.

The Korean middlemen involved in

the SEC investigation are Jong Ho Yoo, a registered alien, and Howard P. Lee, a naturalized U.S. citizen, both of Los Angeles.

The SEC wants to know their role in obtaining a contract in South Korea for E-Systems, which had 1975 revenues of \$193 million and is traded on the New York Stock Exchange.

According to a spokesman, the company contacted the U.S. Embassy in Seoul in 1973 to learn how it could break into the Korean market.

The office of the ambassador, who at the time was Philip C. Habib, now under secretary of State, sent E-Systems a list of about a half dozen Korean business agents in the U.S.

E-Systems said it chose Yoo and Lee, who were agents for Korean Research Institute (KRI), described as a marketing consultant firm based in Seoul.

The spokesman said that E-Systems knew of "nothing questionable" about its Korean business. "As far as we know," he said, "there were no bribes paid."

John J. Kim, a New York attorney representing Yoo and Lee, said the SEC allegation was "the most preposterous story I have ever heard."

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He said he advised his clients not to comply with the subpoena because "KRI is not a publicly listed company. It's a private company outside the jurisdiction of the U.S."

But Kim said if the court agrees with the SEC, he will advise his clients to comply with the subpoenas.

Kim also represents the Korea Trade Promotion Center, an agency of the Republic of Korea, and has his offices in the same building as the center on Park Avenue.

Through the agent, E-Systems in 1975 gained a \$27 million joint venture with Seoul-based Oriental Precision Co. to produce tactical radio systems for the Republic of Korea.

The E-Systems spokesman would not say specifically how much commission the two agents got for arranging the business.

Commissions can be as high as 10 per cent of the contract, he said, but

added that these agents were not paid that much. "I can tell you that this arrangement was very good."

In pressing for obedience of the subpoenas, the SEC alleged "... it appears that Yoo and Lee may have participated in the illegal payment of monies in the form of bribes to members of Congress ... or other public officials in connection with the sales of military equipment by E-Systems to the Republic of Korea."

A source familiar with the SEC probe described the alleged payments as going to congressmen through a "Byzantine network that often involved 25 different phone calls to Japanese and Korean restaurants."

A government source found serious implications in the SEC's investigation. If the commission's findings are confirmed he said, it may mean that the many companies doing business in Korea are also inadvertently paying bribes, indirectly through commissions, to U.S. congressmen.